

Message Text

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64

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 EUR-25 SPC-03 AID-20 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 INT-08 FEA-02 SCI-06 AGR-20 DRC-01 L-03

H-03 PA-04 PRS-01 USIA-15 /213 W
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R 081315Z MAR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1682

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EGEN, EFIN, RP

SUBJECT: PHILIPPINE CENTRAL BANK OBTAINS NEW FIVE YEAR
CREDIT LINES

REF: EAL

1. PHILIPPINE CENTRAL BANK GOVERNOR GREGORIO LICAROS DEPARTED MANILA MARCH 2 TO SIGN AGREEMENTS FOR FIVE-YEAR CREDIT LINES TOTALLING \$550 MILLION FROM THREE GROUPS OF FOREIGN BANKS. CREDIT LINES INCLUDE \$150 MILLION FROM SYNDICATE OF 15 U.S. BANKS, \$250 MILLION FROM GROUP OF EUROPE BASED BANKS AND \$150 FROM CONSORTION OF JAPANESE BANKS. AN ADDITIONAL \$150 MILLION LINE FROM A FOURTH GROUP IS EXPECTED TO BE FORMALIZED IN APRIL AFTER LICAROS RETURNS TO MANILA. CB OFFICIALS REPORT (AND REPRESENTATIVES OF U.S. COMMERCIAL BANKS CONFIRM) THAT CB HAD LITTLE DIFFICULTY IN ARRANGING FOR CREDIT LINES. EUROPEAN LINE FOR \$250 MILLION, IN FACT, RESULTED
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FROM HEAVY OVER SUBSCRIPTION TO REQUEST FOR \$150

MILLION.

2. NEW CREDIT LINES ARE INTENDED TO PROVIDE FINANCING FOR ANTICIPATED INCREASE IN PHILIPPINE IMPORT COSTS, LARGELY CAUSED BY HIGHER PETROLEUM PRICES, OF MORE THAN \$700 MILLION IN 1974. PROJECTED CENTRAL BANK FOREIGN EXCHANGE BUDGET INDICATED 1974 PAYMENTS DEFICIT OF AT LEAST \$300 MILLION DESPITE ECONOMIC ASSISTANCE INFLOWS IN \$150 MILLION RANGE AND SURPLUS ON OTHER INVISIBLES OF UP TO \$400 MILLION.

3. CREDITS WILL HAVE FIVE YEAR TERMS, BUT EMBASSY UNDERSTANDS DRAWINGS MUST BE RENEWED EVERY 180 DAYS. PRESENT CB BALANCE OF PAYMENT PROJECTIONS INDICATE NET REPAYMENT ON DRAWINGS ANTICIPATED IN 1974 AND 1975 WOULD BEGIN IN 1977. COMMITMENT FEE ON LINES IS REPORTEDLY ONE-HALF OF ONE PERCENT WITH INTEREST ON DRAWINGS FLOATING 1 AND THREE EIGHTS PERCENT ABOVE LONDON INTERBANK OFFER RATE.

4. ACCORDING TO CB OFFICIALS PHILIPPINE POLICY IS TO MAINTAIN RESERVES AT CURRENT LEVELS (\$1 BILLION NET OF LIABILITIES OF COMMERCIAL BANKS), DRAWING ON CREDIT LINES AS NECESSARY. GOP DOES NOT NOW CONTEMPLATE ADDITIONAL IMF DRAWINGS IN 1974 APART FROM FUNDS PROVIDED SPECIFICALLY TO ASSIST PETROLEUM IMPORTING COUNTRIES IN FINANCING HIGHER PETROLEUM CUTS. GOP WOULD UTILIZE ANY SUCH SPECIAL IMF PETROLEUM FINANCING IN PREFERENCE TO HIGHER COST COMMERCIAL CREDITS BUT EXPECTS NO MORE THAN \$140 MILLION IN SUCH FUNDS WILL BE MADE AVAILABLE.

5. COMMENT: CENTRAL BANK SENIOR DEPUTY GOVERNOR BRINAS STATED CB ARRANGEMENTS FOR AND PLANS TO USE FIVE YEAR FOREIGN CREDIT LINES WERE RESULT OF GOP POLICY DECISION TO MAINTAIN INFLOWS TO ECONOMY OF ITEMS ESSENTIAL TO CONTINUED ECONOMIC GROWTH IF PHILIPPINE OBJECTIVE IS TO

LIMIT, TO EXTENT COUNTRY'S ECONOMIC POSITION PERMITS, IMPACT OF HIGHER PETROLEUM COSTS ON PRODUCTION AND INCOME LIMITED OFFICIAL USE

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LEVELS. DESPITE HIGHER PRICES FOR PETROLEUM, FERTILIZER, IRON AND STEEL, SYNTHETIC FIBERS AND PLASTICS AND CONSERVATIVE ASSUMPTION ABOUT EXPORT EARNINGS IN 1974, AMOUNTS OF NEW DEBT EXPECTED TO BE NECESSARY TO ACHIEVEMENT OF THESE OBJECTIVES DO NOT APPEAR LIKELY IMPOSE CRUSHING DEBT SERVICE BURDEN ON PHILIPPINES.
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Copy: SINGLE
Draft Date: 08 MAR 1974
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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30 JUN 2005

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